

# UpShot Trade Signals

## **Technical Analysis Basics.** **Identifying Bottoms**

**June 2011**

*disclaimer*

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Trading in foreign exchange is speculative and may involve the loss of principal; therefore, assets placed in any type of forex account should be risk capital funds that if lost will not significantly affect one's personal financial well being.

This is not a solicitation to invest, and you should carefully consider the suitability of your financial situation prior to making any investment or entering into any transaction.

Trading foreign exchange on margin carries a high level of risk, and may not be suitable for all investors. The high degree of leverage can work against you as well as for you.

Before deciding to invest in foreign exchange you should carefully consider your investment objective, level of experience and risk appetite.

The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose.

You should be aware of all the risks associated with foreign exchange trading and seek advice from an independent financial adviser if you have any doubts.

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Before deciding to trade real money in the Retail Forex market, you should carefully consider whether this is the right choice for you. Things to consider are your investment objectives, level of experience and risk appetite. Most importantly, do not invest money you cannot afford to lose, i.e., don't trade forex with money you need to survive.

There is considerable exposure to risk in any off-exchange foreign exchange transaction, including, but not limited to, leverage, creditworthiness, limited regulatory protection and market volatility that may substantially affect the price, or liquidity of a currency or currency pair.

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The possibility exists that you could sustain a total loss of initial margin funds and be required to deposit additional funds to maintain your position. If you fail to meet any margin requirement, your position may be liquidated and you will be responsible for any resulting losses. To manage exposure, employ risk-reducing strategies such as 'stop-loss' or 'limit' orders.

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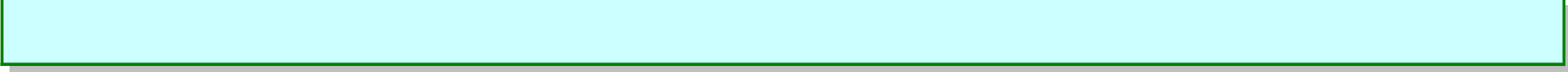
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Before I begin I would like to stress that this report will only cover the basics. While it might seem a boring subject to those who have been trading for sometime, having the right understanding of the basic principals and technical rules are necessary to create a consistent income as a trader. And we must not make the mistake of becoming lazy when working on a chart.

The slightest mistake will cause a loss of money.

In this report we will review how to identify bottoms on almost all time frames.

Let's start with one of my favorite quotes from John Bollinger:

***“In any given environment there are a limited number of good opportunities... places to transact where the risk and reward relationships are properly balanced in your favor”.***

This to me means that there are specific times to trade and times not to trade. It really all begins with having a reliable trading system that compliments my personality and my goals. Then its up to me, to carry out my plan and stick to it!

I am going to show you a way to identify and confirm a bottom. Also known as a location in price where a possible change in direction could take place.

You will learn how to confirm the signal and trade it safely by using specific patterns that repeat all the time on almost every time frame.

You will also learn which reliable indicators I use on this particular time frame. This example is focused on day trading time frames but can easily be applied to the 4 hour, daily and weekly charts.

I have written articles on how to identify price swing patterns that identify highs (tops) and lows (bottoms). We will be studying how to read the chart when a bottom is in place and where the best trading opportunity is. Remember... we are looking for places to transact where the risk and reward relationships are properly balanced in our favor!

“W” bottoms are one of the most common bottoms to identify.

In the first chart we see the USD 1 hour chart. We can see the bottom so now we will break down how to trade it.

Chart 1.



Here I have isolated the area we will focus on.  
Chart 2.

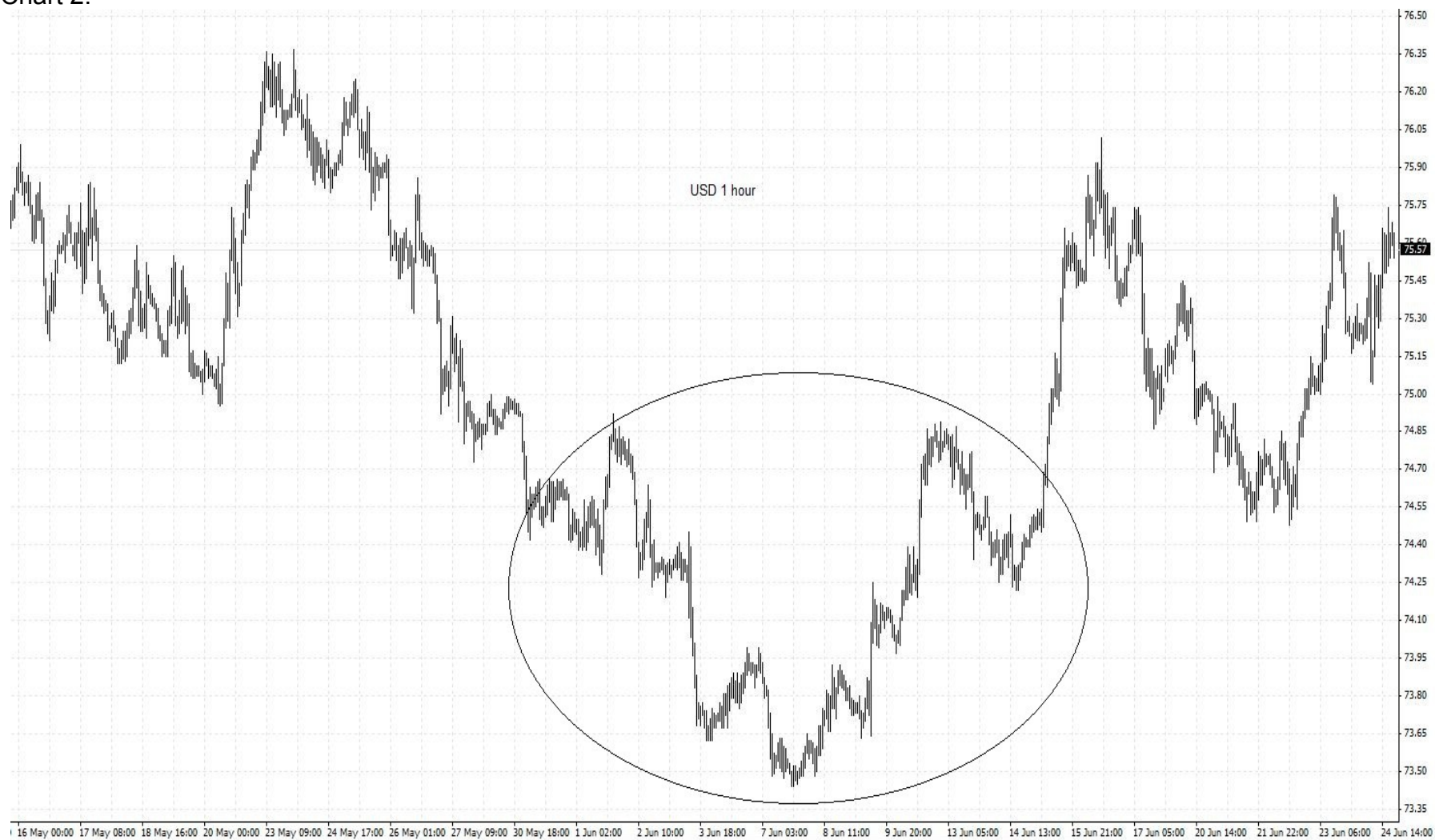


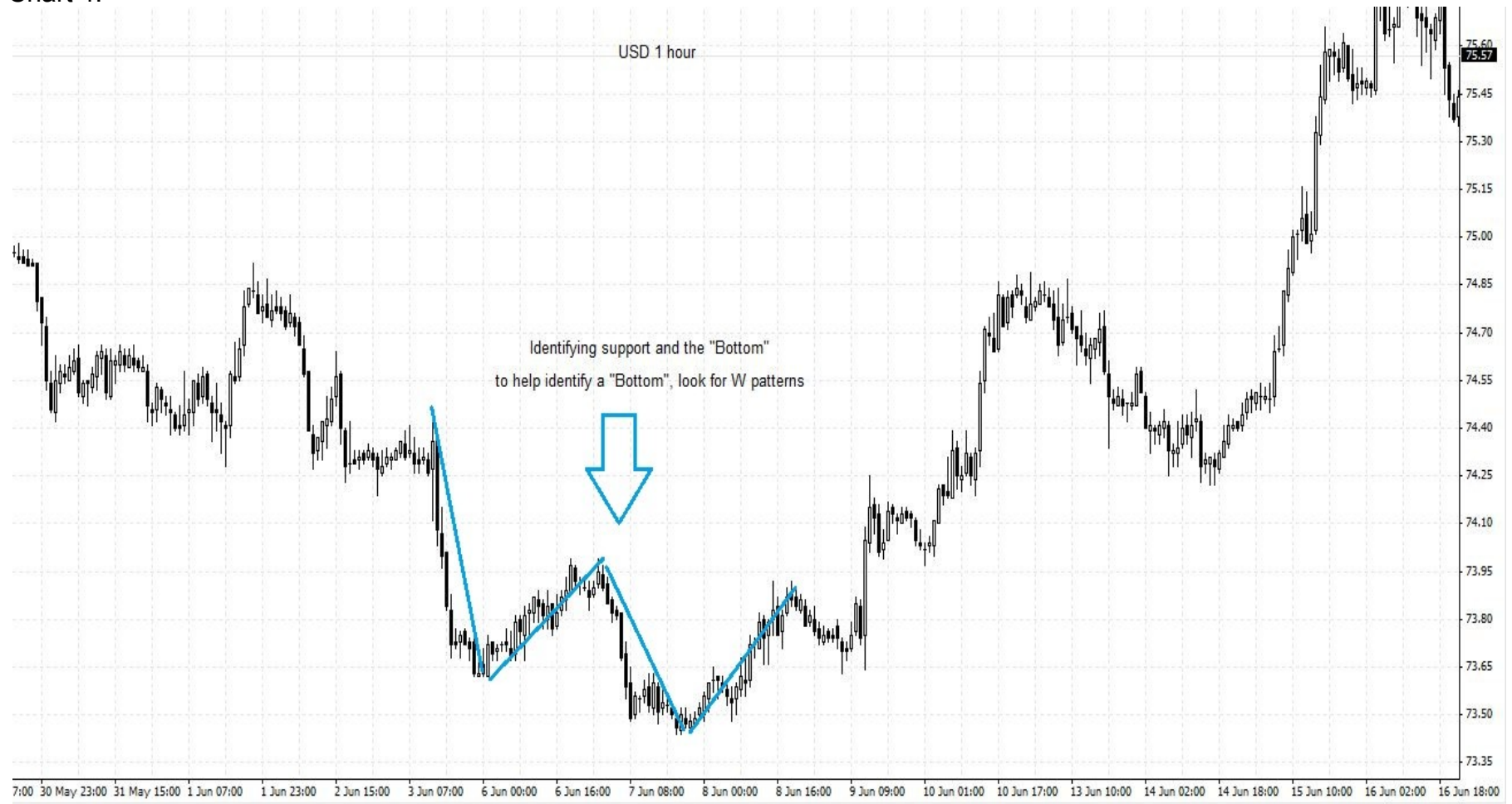
Chart 3.



In this chart you can see the “W” bottom on the 1 hour USD.

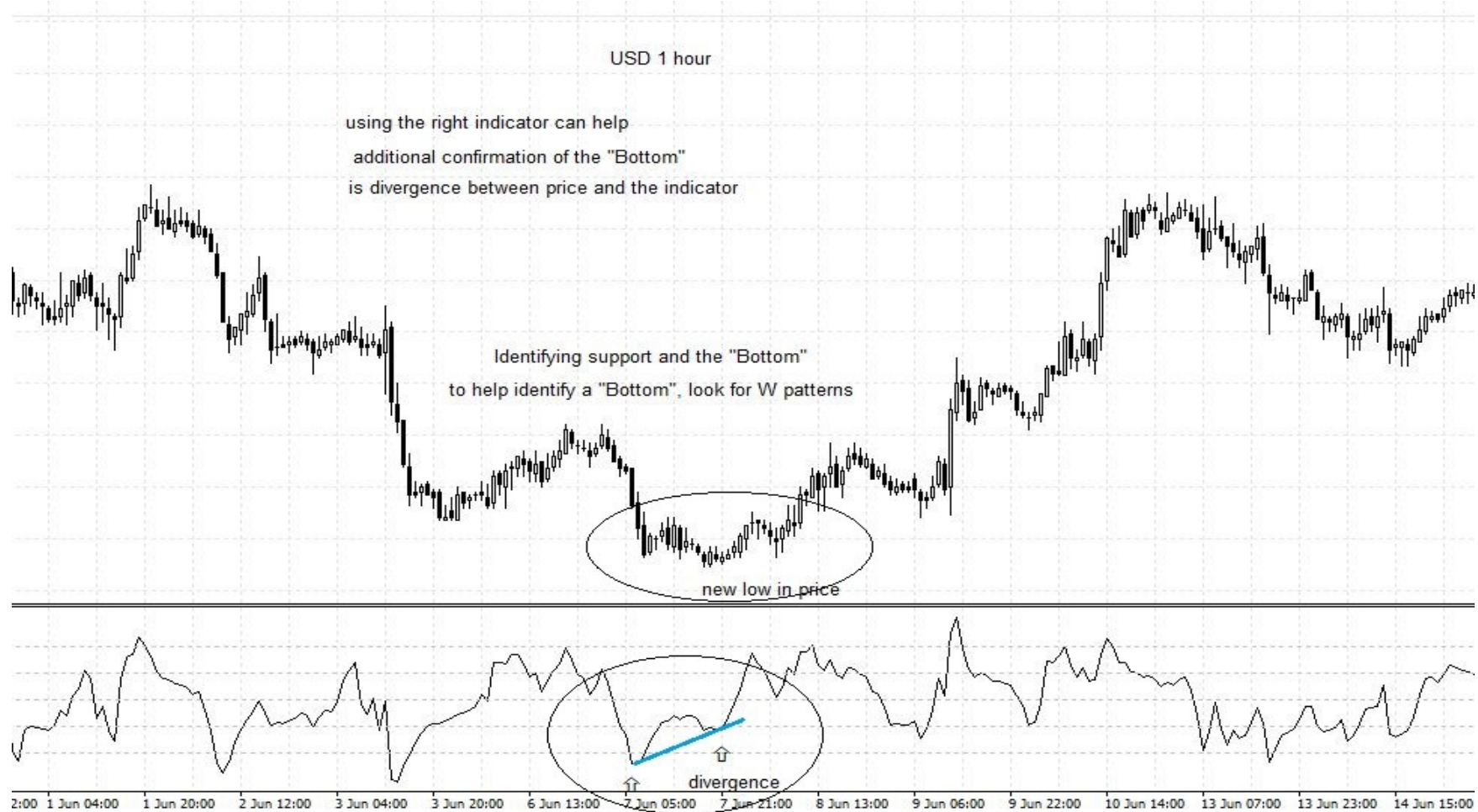
Getting to know these patterns is very important in identification and confirmation. It is basically the first step in “Building” this trading opportunity.

Chart 4.



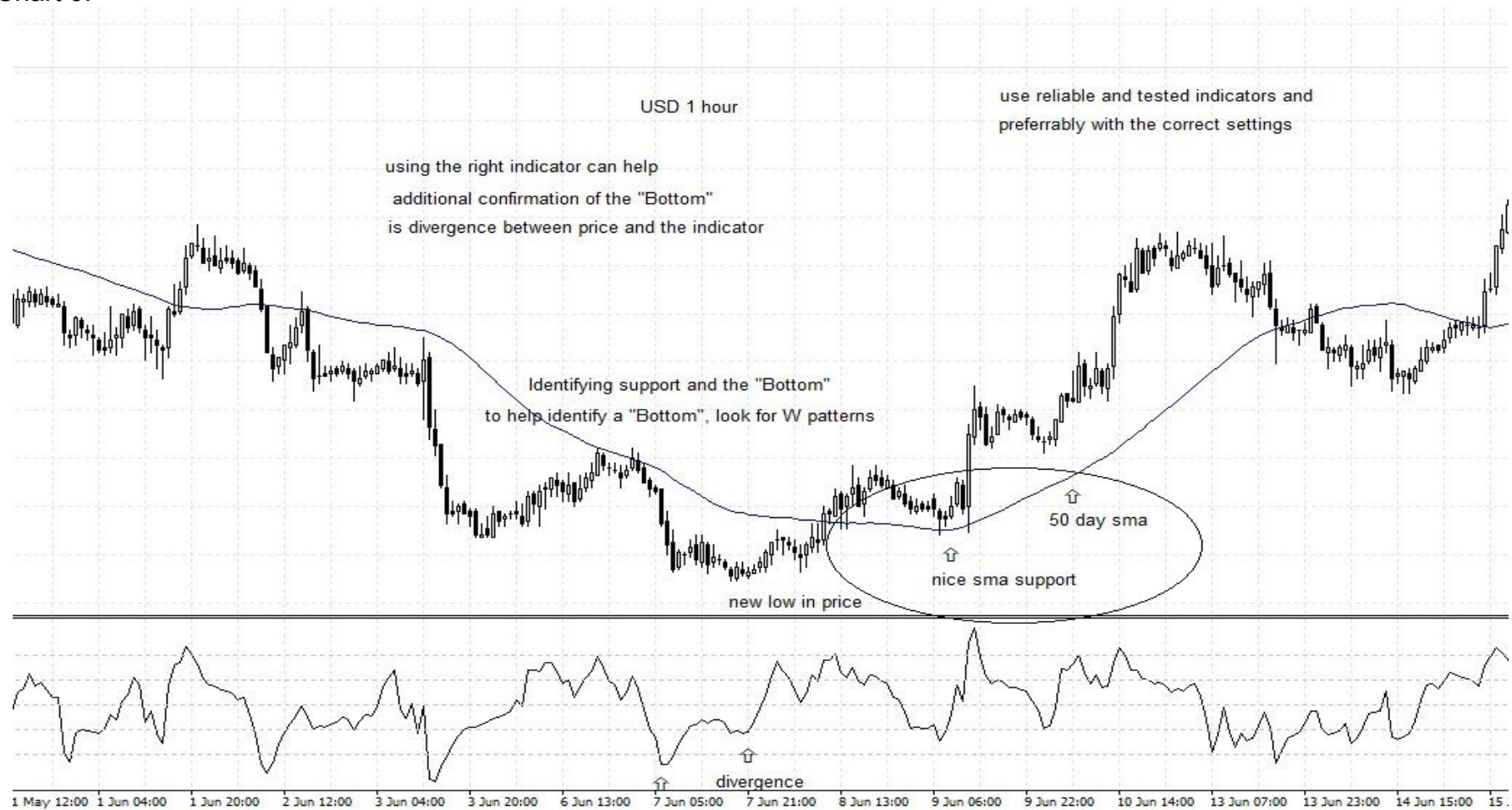
Selecting the “right” indicator and one that you like because you know how it works is always the best choice, just do some testing when learning a new system and adding your indicator of choice. I prefer to use the CCI indicator. When look for tops and bottoms I am also looking for price to make “new relative” highs or lows with divergence in the indicator which can be clearly seen in this chart.

Chart 5.





Another important indicator I use is the 50 simple moving average for the 1 hour time frame on the USD. As you can see it gives that additional confidence in confirming support or resistance. Where I drew the oval, there was a nice support level held with the 50ma. You need to use the right moving average that is relevant to the time frame you are trading or analyzing.  
 Chart 6.



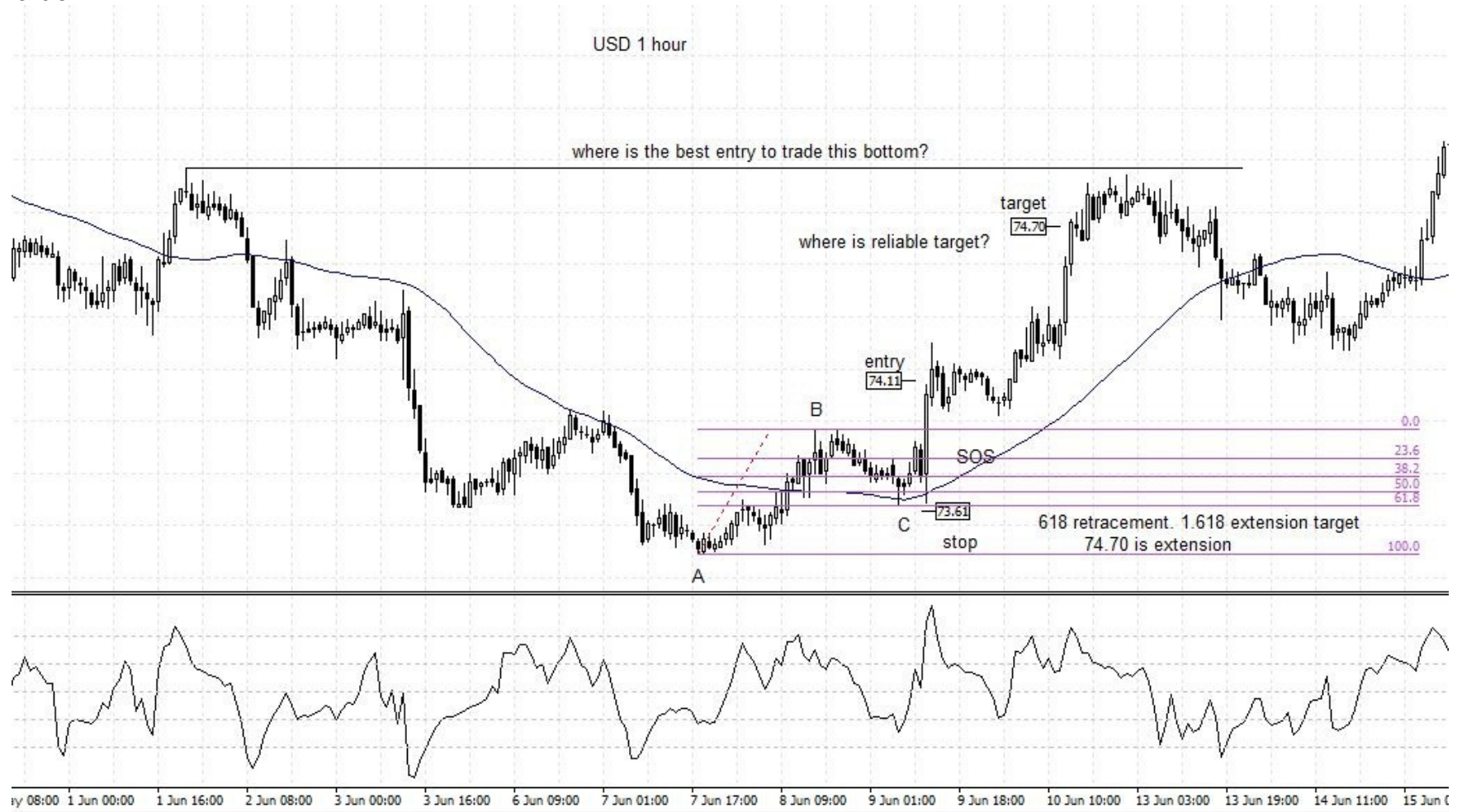
Now to identify the best place to trade the reversal or bounce off the bottom.

The candle that reads “SOS” refers to the sign of strength candle. This occurs with volume to support the move and you will notice that the candle also closes above the resistance level of consolidation. I feel the safest entry is when price moves above the high of the signal candle or “breakout” candle. This also occurs with “up” volume. The stop is below the last price swing.

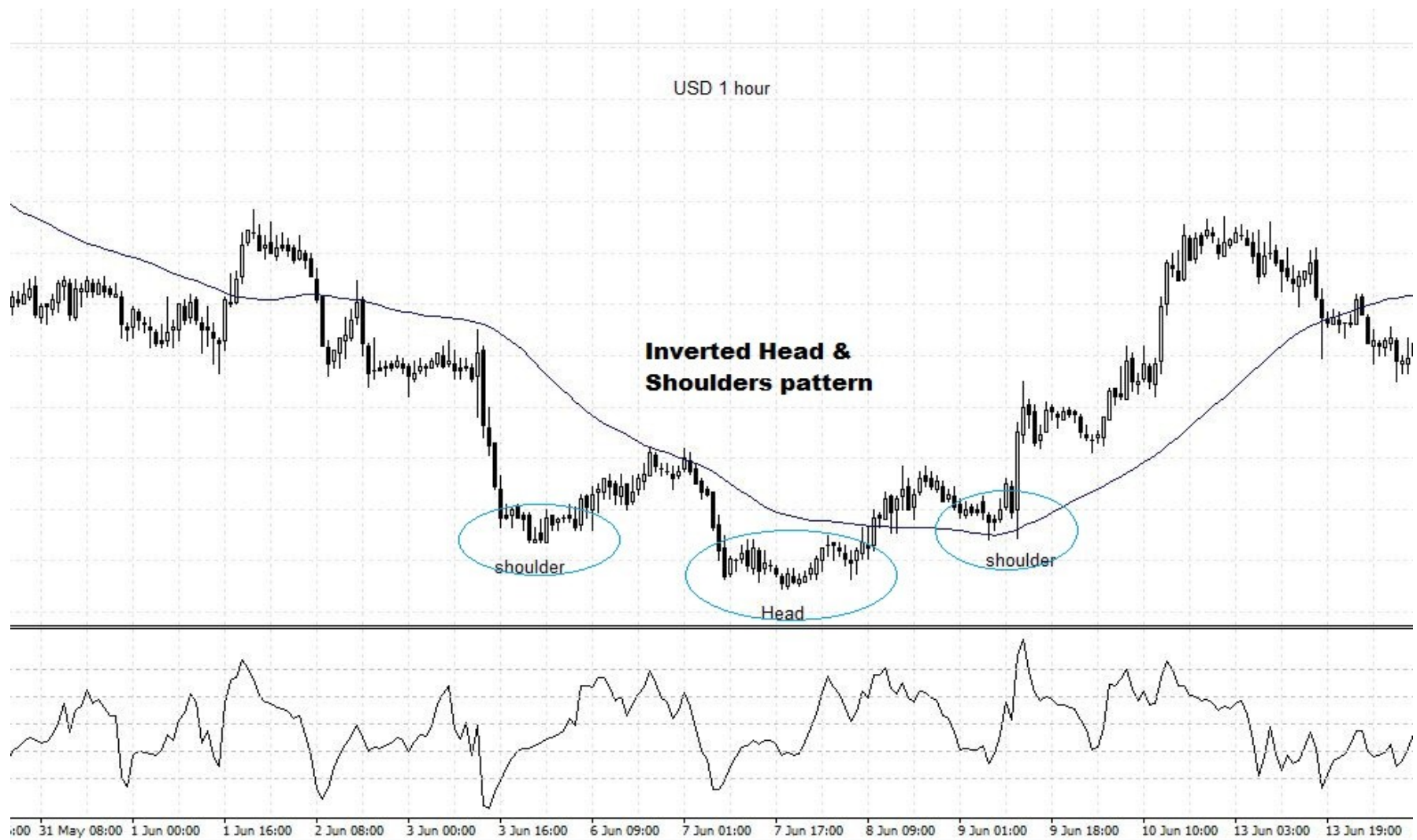


Additional analysis shows that there was a great deal of confirmation for this trade. The A, B, price swing has a retracement of the 618 level at the “C” and if we calculate correctly, the extension would be approximately 74.70 as the target. This target level is also just before price touches the significant resistance level and that's always a good place to take profits.

Chart 8.



And lastly we can see that overall... this was an inverted head and shoulders pattern.  
Chart 9



Now we all know that every trade won't look like this or this perfect but all of the structural elements to confirm the "Bottom" pattern are here and it is important to understand the very core basics. The next time you see this pattern, the symmetry could be off or be difficult to see. When that happens, take each of these steps to confirm the pattern. If any thing is missing... just leave it alone. Stay out until you see something that makes sense to you.

Remember...

we are looking for

***"places to transact where the risk and reward relationships are properly balanced in your favor"***

In the next trading manual we will look at other price patterns such as crown patterns and also how to trade "Tops".

I hope you like this report and it helps you add some skills to confirm bottoms. Please remember there are several other patterns that make up bottom patterns and I teach that in my signal service. Each monthly subscription includes trading strategies for scalping, day trading and swing trading.

**Here is what I give you in the monthly subscription to my signal service:**

1. **Swing trade signals** – normally trades are held 1 day to one week. All trades are a one to one reward to risk ratio. Stops on the EUR/USD and GBP/USD can be 100 pips with profit targets of 100 to 150 pips. (sms alerts)
2. **Swing trade signals on Oil and Gold**- normally trades are held 1 day to one week. All trades are a one to one reward to risk ratio. (sms alerts)
3. **Trading education and system**- trading manual includes all trading systems used in the signal service, scalping, day trading and swing trade strategies.
4. **MT4 templates for all trading systems** used in the signal service.
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